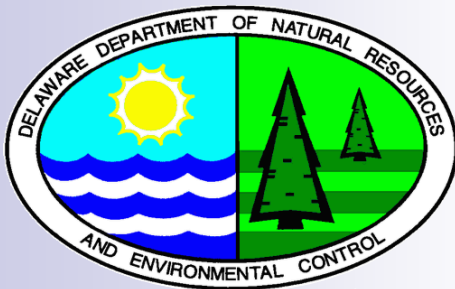


Title V Committee Meeting



October 24, 2019

Blue Skies Delaware; Clean Air for Life

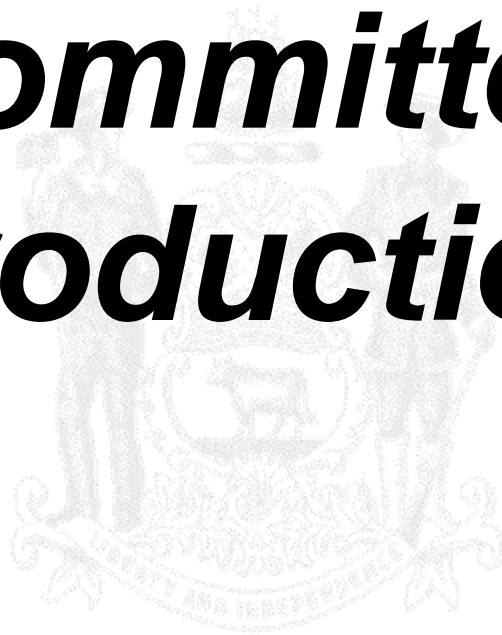
Agenda

- Introductions 5 Min.
- 2018 A Year in Review Report 30 Min.
 - Program Costs
 - Billing & Fees
 - Delinquent Facilities
 - Revenue
 - Carryover Balance
 - Staffing Levels
 - 2018 - 2020 Fees and Credit Structure
 - Impacts to Budget
- 2019 Billing Update 5 Min.
- Natural Minor (Reg. 1102) Fee Increase Initiative Update 15 Min.
- 2021-2023 Fees & Revenue 20 Min.
- Proposed Title V Legislation 20 Min.
- Open Discussion (Q & A) 15 Min.
- Action Items 5 Min.
- Closing Comments 5 Min.



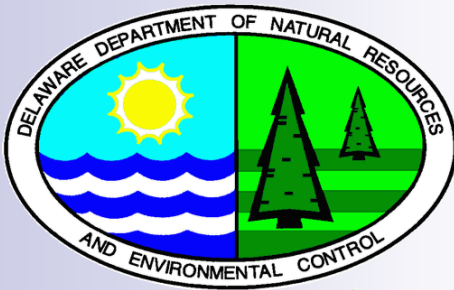
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Committee Introductions



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2018 A Year in Review



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2018 Overall Program Costs

Salary	\$2,486,116.25
Travel	\$8,411.25
Contractual	\$401,005.59
Supplies	\$89,733.15
Capital Outlay	\$100,000.00
Additional Support Services	\$452,694.53
Small Business Ombudsman Program	\$88,983.52
Total	\$3,626,944.29

Note: While the state operates on a fiscal year basis (July 1 - June 30), the Title V fees are billed and spent on a calendar year basis. Consequently, some “Additional Support Services” costs, provided by other programs/organizations, in CY 2017 may include FY 2018 cost factors.

- ^[1] Items covered under the “Contractual” category include: Legal Assistance, Fleet charges (vehicle rental), building rent, utilities, vendor payments, temp services, and the upkeep of some air monitoring equipment.
- ^[2] The “Capital Outlay” expense (**\$100,00.00**), charged due to delayed grant funding awards, was recouped through the recoding process on February 18, 2019,
- ^[3] Items covered under “Additional Support Services” include: Information Technology (**\$13,991.88**), the Environmental Crimes Unit (**\$422,417.99**) and OTS Support (**\$16,033.89**).
- ^[4] Items covered under “Small Business Ombudsman Program” include salary and expenses of 1.0 FTE.



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2018 Fees Collected

- **77 SM & 52 TV facilities billed**
- **\$2,881,779.00** was billed
 - ☐ Includes previous years' back fees
 - ☐ After the user fee credit program (\$385,000)
- **\$2,849,669.50** was collected
 - ☐ **\$32,079.50** is overdue
 - ☐ One facility's non-payment of 2016-2018 fees



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2016 - 2018 Delinquent Status

Facility Name	Amount Due	Recovery Actions
Lars Recycling, LLC	\$32,079.50	Includes 2016, 2017 and 2018 overdue balance and late fees. Facility abandoned. Pursuing collection through Department level legal action.
TOTAL	\$32,079.50	



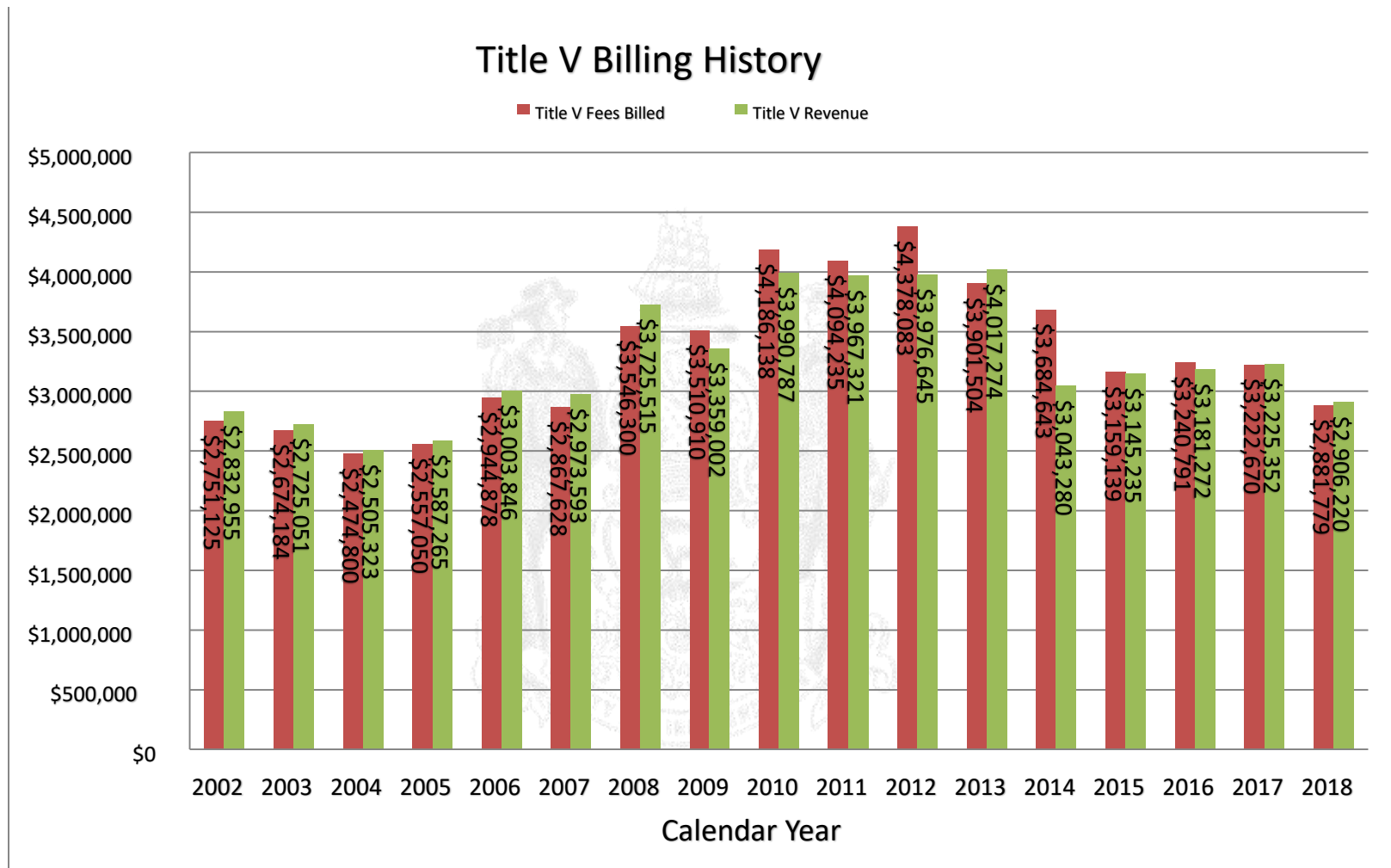
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2018 TV Revenue

- Title V Revenue was **\$2,906,220.00**
 - Determined by the actual monies deposited into the account during a calendar year
 - The final revenue is impacted by
 - Interest gained
 - Quarterly payments
 - Late payments



Handout



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TV Account Activities

		2018 Title V Account Expenses and Revenue						
MONTH		EXPENSES					INTEREST	REVENUE
	Salary	Energy	Travel	Contractual	Supplies	Capital Outlay		
January	\$194,274.83	\$0.00	\$425.20	\$277,948.19	\$5,831.58	\$0.00	\$1,684.16	\$54,742.16
February	\$177,190.73	\$0.00	\$0.00	\$288,932.65	\$7,587.39	\$0.00	\$1,114.19	\$2,073,564.19
March	\$272,677.42	\$0.00	\$522.46	\$37,487.78	\$6,816.11	\$0.00	\$711.47	\$307,717.72
April	\$171,775.71	\$0.00	\$135.33	\$29,023.55	\$8,286.04	\$100,000.00	\$1,000.11	\$195,945.84
May	\$216,866.80	\$0.00	\$579.55	\$163,080.90	\$24,369.80	\$0.00	\$593.48	\$70,597.95
June	\$193,913.22	\$0.00	\$22.54	\$24,358.51	\$354.22	\$0.00	\$840.91	\$12,632.16
July	\$174,232.47	\$0.00	\$1,243.16	\$21,216.15	\$6,637.85	\$0.00	\$848.64	\$60,970.87
August	\$278,010.19	\$0.00	\$887.63	\$15,736.47	\$9,410.39	\$0.00	\$1,477.37	\$40,349.37
September	\$190,290.68	\$0.00	\$3,760.86	\$21,327.19	\$11,793.77	\$0.00	\$2,639.13	\$17,225.38
October	\$197,704.60	\$0.00	(\$631.70)	\$14,334.85	\$5,236.40	\$0.00	\$1,794.10	\$59,681.10
November	\$204,271.65	\$0.00	\$230.98	\$21,495.81	\$1,093.55	\$0.00	\$1,608.20	\$1,608.20
December	\$214,907.95	\$0.00	\$1,235.24	\$27,741.59	\$2,316.05	\$0.00	\$2,732.66	\$11,184.66
2018 Totals	\$2,486,116.25	\$0.00	\$8,411.25	\$942,683.64	\$89,733.15	\$100,000.00	*\$17,044.42	\$2,906,219.60
2018 Total Expenses		\$3,626,944.29						

* Total interest included in revenue totals

Note: The “Capital Outlay” expense (**\$100,00.00**), charged due to delayed grant funding awards, was recouped through the recoding process on February 18, 2019.



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2018 Carryover Balance

- On December 31, 2018, the Title V Carryover Balance was **\$2,838,432.**

	2018
2017 Carryover Balance	\$3,559,156
2018 Title V Fee Revenue	\$2,906,220
Sub-Total	\$7,291,986
2018 Total Expenses	-\$3,626,944
2018 Actual Carryover Balance	\$2,838,432



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Updated EOY 2019 Carryover Balance Projection

	CY 2019 Prediction
2018 Actual Carryover Balance	\$2,838,432
Estimated 2019 Title V Fee Revenue	\$2,940,000
* Estimated 2019 Total Expenses	\$3,597,483
Δ Revenue – Expenses	-\$657,483
2019 Projected Carryover Balance	2,180,949

* Adjusted 2019 expenses for “Capital Outlay” expense **(\$100,00.00)** that was recouped through the recoding process on February 18, 2019.

Updated Estimation Factors

- 2018 - 2020 Fee Tables
- Actual fees billed for 2019 to include overdue fees from previous year billings
- 2018 expenses plus a 2% CPI adjustment



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Updated 2019 Carryover Balance History

	2016	2017	2018	*2019
Total Title V Fee Revenue	\$3,181,272	\$3,225,352	\$2,906,220	*\$2,940,000
Total Expenses	\$3,141,964	\$3,232,830	\$3,626,944	*\$3,597,483
Actual Carryover Balance	\$3,612,029	\$3,559,156	\$2,838,432	*\$2,180,949

* Projected based on year to date 2019 expenses



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Updated Carryover Projection EOY 2020

	2017	2018	*2019	*2020
Total Title V Fee Revenue	\$3,225,352	\$2,906,220	\$2,940,000	\$2,850,000
Total Expenses	\$3,232,830	\$3,526,944	\$3,597,483	\$3,750,000
Actual Carryover Balance	\$3,559,156	\$2,838,432	\$2,180,949	\$1,280,949

* Projected



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2018 Staffing 12/31/2018

Branch/Group	Authorized	Occupied	Staffing Level
Director Staff	2.0	2.0	100%
Analytical Support Group	4.0	3.0	75%
Operations Support Group	2.5	1.5	60%
Engineering & Compliance Branch	25.5	21.5	84%
Planning Branch	27.0	20.0	74%
Total	61.0	48.0	79%
Temporary Positions	2.0	0.0	0%
Seasonal Positions	2.0	2.0	100%

- 8 - full-time employees separated or retired
- 6 - additional full-time employees were hired



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Division of Air Quality (October 1, 2019)

Handout

Jacobs
Ombudsman
66318

Assigned to
Community Services

Operations Support Group

Minor
Paralegal III
OSG Augmentation

(Acting PM II)
Sarnoski
PM I
65600

Manson
Mgmt. Ana. III
69859

Fees
Division Director
58451

Mattson
Admin. Spec. III
65675

Analytical Support Group

Frey
Env. Sci. V
8302

Clausen
Planner IV
66852

Hoffman
Env. Sci. III
58597

Engineering & Compliance

Paralegal Support
Minor
Paralegal III
8253

Marconi
Engineer VI
66854

Slaughter
Admin. Spec. II
8284

VACANT
Admin. Spec. I
8283

Planning

Gray
Acting PM II
8296

Hazzard
Admin Spec. II
65464

E/C Program 1

French
Engineer Program
Manager I
61681

Bediako
Engineer IV
65720

Smith
Engineer IV
65375

Walford
Engineer III
67655

Matthews
Engineer III
68368

Rowland
Engineer III
8291

Diehl
Engineer II
91350

Njoroge
Engineer II
8293

E/C Program 2

Mattio
Engineer Program
Manager I
67652

K. Pirestani
Engineer IV
67654

Koetas
Engineer IV
66947

Mellaouch
Engineer IV
67653

Dalsania
Engineer III
64884

Klotz
Engineer III
62779

Murphy
Engineer I
61483

Whapham
Engineer I
66856

E/C Program 3

VACANT
Engineer Program
Manager I
65431

Lutrykowski
Engineer IV
66853

Doherty
Engineer IV
8286

Esswein
Engineer I
63442

Refinery Support

VACANT
Engineer VI
67454

Rennie
Engineer III
65376

DAQ Staffing Summary

- 60 - Authorized Positions
 - 7 - Vacancies
 - 53 - Occupied Positions
 - Overall Staffing Level - 88%
- Director & Staff: 2 of 2 @ 100%
ASG: 3 of 3 @ 100%
OSG: 1 of 2 @ 50%
E/C: 23 of 26 @ 88%
Planning: 24 of 27 @ 89%
- 1 of 2 Seasonal Positions - Occupied

Ambient Monitoring

Sarnoski
Acting PM II
8299

Rogers
Analy. Chem. II
8305

Welch
Env. Sci. II
8304

Gallo
Env. Sci. I
8306

Dyer
Inst. Tech.
64443

Allen
Inst. Tech.
64442

Seasonals - 2
39616

Hoffman
ECT

VACANT
ECT

GHG, Mobile, Air Toxics

(Acting PM II)
Gray
Planning Supv
63521

Shelton
Engineer III
8289

Cuccinello
Engineer II
68367

Wisniewski
Engineer II
67671

Rabemiarisoa
Engineer II
68366

Pinkowski
Env. Sci. II
65327

Cephas
Planner II
65374

Area Source Compliance

Coverdale
PM I
67958

Mood
Env. Sci. III
8298

Gomes
Sr. Env. Comp Spec
64927

Kehoe
Sr. Env. Comp Spec
67361

VACANT
Sr. Env. Comp Spec
68129

Airshed Planning & Inventory

Held
Acting PM II
8295

Gao
Engineer IV
65377

Prettyman
Env. Sci. IV
60611

Pettingill
Engineer III
68365

(Held Acting PM II)
Env. Sci. III
60610

Cuneo
Engineer II
67651

Cone
Env. Sci. II
8363



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Staffing Summary (10/1/2019)

- 60 - authorized positions

Note: Department cap @ 57 FTEs rescinded

- 7 - vacancies

- 53 - occupied positions

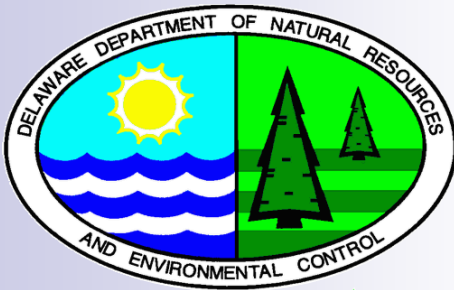
- Overall staffing level = 88%

<input type="checkbox"/> Director + Staff	-	2 of 2 @ 100%
<input type="checkbox"/> ASG	-	3 of 3 @ 100%
<input type="checkbox"/> OSG	-	1 of 2 @ 50%
<input type="checkbox"/> E/C	-	23 of 26 @ 88%
<input type="checkbox"/> Planning	-	24 of 27 @ 89%



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2019 Title V Billing Update



As of September 30, 2019

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2019 Billing Update (9/30/2019)

- 122 Facilities Billed

- ☐ 73 SM

- ☐ 49 TV

- Fee Credits Awarded: **\$354,725**

- 2019 Total Amount Billed: **\$2,734,630**

- Status as of September 30, 2019:

- ☐ Fully Paid: 113 of 122 (92.6%)

- ☐ Partial Payment: 2 of 122 (1.6%)

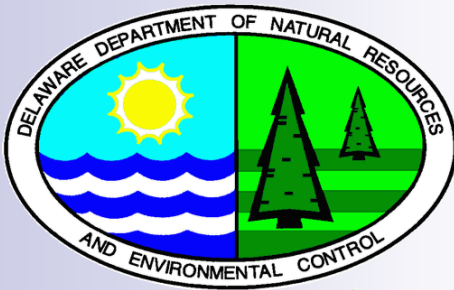
- ☐ No Payment: 7 of 122 (5.7%)

- ☐ Fees Collected: **\$2,638,616** (92.5%)



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Natural Minor (Reg. 1102) Fee Increase Initiative



A DNREC Legislative Priority

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NM (Reg. 1102) Fee Background

- Current fees (construction & annual permit) set in 1991.
 - As of 2020, 29 years without a fee adjustment
- Program relies heavily on Federal & General Funds.
 - Fees do not generate sufficient revenue to sustain the program
 - Estimates indicate revenue = 25% of program costs
- Permits issued under NM Program include:
 - Construction permits for Synthetic Minor and Title V Sources.
 - Natural Minor facilities
 - Includes Area Sources (dry cleaners, auto-body shops, sandblasting)
- Current fee structure does not consider complex regulation review/applicability



NM (Reg. 1102) Fee Recommendation

- Can't be transformed in one sweeping fee revision.
- Three phased strategy to increase program revenue
 - Each phase: 3-years, to observe/assess, provide budget stability & planning.
 - Reevaluate in third and sixth years to adjust fees to achieve revenue goals.
 - **Phase One:** Initial revenue goal of ~50% of the current estimated program costs (July 1, 2020).
 - **Phase Two:** Second revenue goal of ~75% of the revised program costs (July 1, 2023).
 - **Phase Three:** Third revenue goal of ~100% of the actual program costs (July 1, 2026).



NM (Reg. 1102) Fee Recommendations

- Complex applications, establish 4 application rider fees
 - Based on regulatory applicability thresholds (level of work)
- Reduce structure from 38 to 17 billable fees
- Minimize the dependency on Federal & State General Funds
 - Reallocate Federal & State funds to their intended programs & activities.
- Phased strategy will:
 - Define our requirements, measure and analyze future states.
 - Provide flexibility to adjust fees to achieve a self-sustaining fee structure
 - Avoid one large increase



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Proposed NM (Reg. 1102) Fees

Fee Description	Fee Occurrences	Fee Amount	Date Last Changed	# Issued Annually	Proposed Fee
Fuel Burning-Consolidated	Each Application	\$390	1-Jul-91		\$600
Fuel Burning-Consolidated	Annual	\$75	1-Jul-91		\$110
Process Units - Consolidated	Each Application	\$215	1-Jul-91	89	\$300
Process Units - Consolidated	Annual	\$125	1-Jul-91	357	\$170
VOC Unit	Each Application	\$180	1-Jul-91		\$250
VOC Unit	Annual	unknown	unknown		\$110
Temp. Emergency Variance	Each Application	\$1,000	1-Jul-91		\$1,500
Variance	Each Application	\$5,000	1-Jul-91		\$7,500
Amendment to Permits	Each Application	\$175	1-Jul-91	40	\$250
VOC Sys. – Gasoline Disp. Facility	Each Application	\$120	1-Jul-91		\$200
VOC Sys. – Gasoline Disp. Facility	Annual	\$75	1-Jul-91		\$110
VOC Sys. – Dry Cleaning Facility	Each Application	\$265	1-Jul-91	73	\$400
VOC Sys. – Dry Cleaning Facility	Annual	\$175	1-Jul-91		\$240
Process Less than 10 tpy/unit	Each Application	\$215	1-Jul-91		\$300
Process Less than 10 tpy/unit	Annual	\$215	1-Jul-91	77	\$300
VOC Sys. – Delivery Vessel	Annual	\$50	1-Jul-91	620	\$70
Water Tank Lead Paint Removal	Each Application		1-Jul-91	3	\$150
MNSR	Each Application	N/A	N/A	5	\$2,500
EOP / PSD	Each Application	N/A	N/A	1	\$10,000
MACT / NESHAP / NSPS (N/A for generators)	Each Application	N/A	N/A	20	\$2,500
Distributed Generator 1144	Each Application	N/A	N/A	1	\$2,500



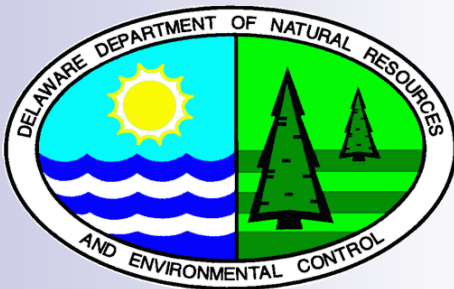
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How?

- Propose a combined/joint legislation
 - One Bill modifying two Subchapters of Title 7, Chapter 60.
 - Create initial code language for NM Fees program.
 - 1991 Bill never incorporated into Code.
- Initial legal review supports combined strategy.
 - Single Legislative Bill must pertain to a single subject matter.
- Two sections under the single subject matter of “Air Permitting Fees”.
 - Section 1 = Title V Program and Fees
 - Section 2 = Natural Minor Fees
- Thoughts?



2021-2023 Title V Fees & Revenue



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Background

- Current fee schedule presented to General Assembly through Senate Bill 103
 - Signed by the Governor on July 17, 2017
- Fees must be reviewed periodically (3-years)
- 2021-2023 fees & legislation must be approved by the General Assembly NLT June 30, 2020
 - Effective January 1, 2021
- Committee established past revenue requirements based on DAQ's Full Time Employee (FTE) projections
 - FTE restrictions set the basis for the total revenue
- Committee sets cycle revenue target
 - Committee works with TV & SM sources to distribute fairly



Background

- 2015-2017 a user fee credit program was established
 - Reduce the Title V Carryover balance (\$4.2M on 12/31/14)
 - Target = six-months of operating funds (\$2,000,000)
 - Implemented as a six-year plan CY 2015-2020
 - Per legislation, the fee credit program will terminate in 2020.
- 2015-2017 revenue was established at \$3,750,000
 - A \$300,000 fee credit program reduced revenue to \$3,450,000.
 - Prior to implementation, a reduction in facilities (135 to 123)
 - Limited revenue to \$3,145,235, after the fee credit program
- The carryover balance, slow to reduce in the first cycle, warranted accelerated reduction efforts
 - Fee credit program was increased to \$385,000 per year



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Background

- 2018-2020 revenue requirement was \$3,200,000
 - Based on the three-year cost factor averages (2015 - 2018)
 - Adjusted for planned additional hiring actions (\$84,000)
 - Significant inflation & other adjustments were not factored
 - Considered counter to continuing efforts to reduce the carryover balance
 - Actual 2018 revenue was \$2,906,220, after fee credit program
- The primary factors for increasing program costs include:
 - Two engineer salary leveling increases
 - First = \$208K, December 2016
 - Second = \$80K, January 2019
 - Annual pay increases
 - Significant staffing increases (rescinded personnel cap)
 - Total increase of 10 FTEs from EOY 2018 – EOY 2020
 - TV funded FTEs = 3.9



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TV Program Revenue Estimation Data

3 - Year Average 2016-2018		EOY CY 2019 53 FTEs 27.65 TV FTEs	EOY CY 2020 58 FTEs 29.95 TV FTEs	CY 2021 58 FTEs, 29.95 TV FTEs	CY 2022 58 FTEs, 29.95 TV FTEs	CY 2023 58 FTEs, 29.95 TV FTEs	2021-2023 Fee Cycle Mid-Point
Salary	\$2,342,984.74	\$2,710,708.99	\$2,932,563.36	\$2,962,563.36	\$2,992,563.36	\$3,022,563.36	\$2,992,563.36
Travel	\$12,562.64	\$12,813.90	\$13,070.17	\$13,331.58	\$13,598.21	\$13,870.17	\$13,598.21
Contractual	\$446,667.97	\$455,601.33	\$464,713.35	\$474,007.62	\$483,487.77	\$493,157.53	\$483,487.77
Supplies	\$96,698.46	\$98,632.43	\$100,605.08	\$102,617.18	\$104,669.53	\$106,762.92	\$104,669.53
Capital Outlay ³	\$11,846.00	\$12,082.92	\$12,324.58	\$12,571.07	\$12,822.49	\$13,078.94	\$12,822.49
Additional Support Services ⁴	\$301,488.15	\$307,517.91	\$313,668.27	\$319,941.63	\$326,340.47	\$332,867.28	\$326,340.47
Ombudsman 30% of 2019 EOY Salary	\$88,331.50	\$30,803.60	\$30,803.60	\$31,103.60	\$31,403.60	\$31,703.60	\$31,403.60
Total	\$3,300,579.46	\$3,628,161.06	\$3,867,748.41	\$3,916,136.04	\$3,964,885.42	\$4,014,003.79	\$3,964,885.42



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TV Program Revenue Estimation Data

Title V Revenue Estimate Considerations	
Considered	Excluded
2019	Position #67454, Engineer VI (Vacant)
2019 EOY Projected Staffing Level @ 53 of 60 (87%)	Position #08302, Scientist V (Vacant 4/1/2020)
2019 Engineer Salary Leveling @ \$108K	No Potential Rent and/or Utilities (\$100K+)
EOY 2019 Salary with 2020 pay increase @ \$1,000.00 per employee (effective July 1, 2019)	No Engineer or Scientist salary leveling in 2020-2023.
Career Ladder Increases for 11 Staff (9-Engineers, 2-Scientists) @ \$38.2K	No additional career ladder promotions 2020-2023.
SFY 2020 Salary Increases @ \$1,000 per person included in EOY 2019 data.	IT Modernization (ECM & ePermitting)
30% of Actual Ombudsman Salary & OECs.	
*All non-salary categories estimate = 3-year averages (2016-2018) + 2%	
2020	
Hire 5-Positions = 2.3 TV FTEs @ \$221,854.37 (Staffing level 58 of 60 @ 97%)	
2% CPI increase on all non-salary categories.	
2021-2023	
\$1,000.00 per person, per year, salary increase 2021-2023	
2% CPI increase per year on all non-salary categories.	



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TV Program Revenue Recommendation

Proposed 2021-2023

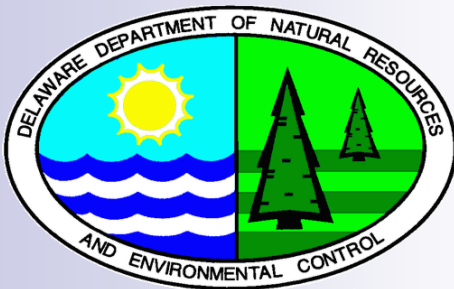
Program Revenue = **\$3,950,000**



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Handout

Proposed TV Legislation



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Proposed TV Legislation

Open proposed legislative changes document and refer to handouts



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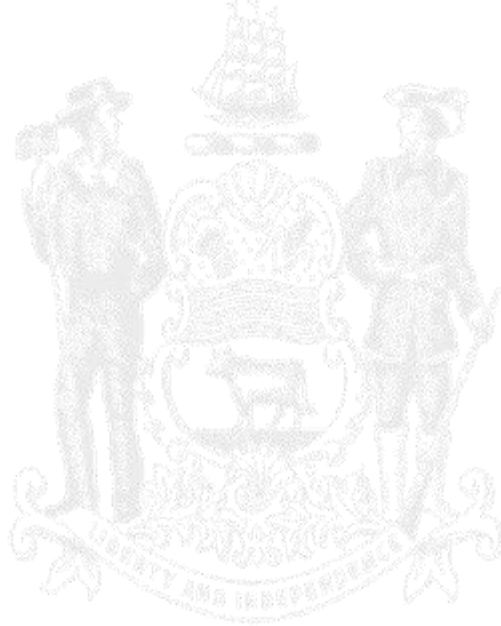
Action Items

■ DAQ Follow-up

1. Prepare & present a Digital DNREC update briefing, next meeting.
2. ?
3. ?

■ Committee:

1. ?
2. ?
3. ?



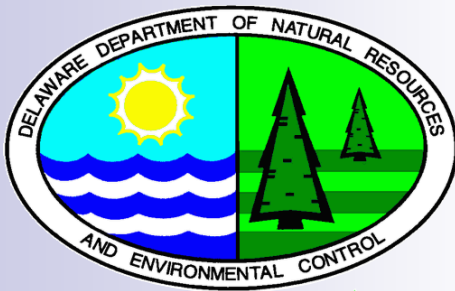


Next Meeting?



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Director's Comments



October 24, 2019

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